

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7064

BILL NUMBER: HB 1554

NOTE PREPARED: Feb 17, 2009

BILL AMENDED: Feb 16, 2009

SUBJECT: Clean Energy Vehicles.

FIRST AUTHOR: Rep. Battles

FIRST SPONSOR: Sen. Gard

BILL STATUS: As Passed House

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) *Alternative Fuel Fueling Station Grants:* The bill allows the Office of Energy and Defense Development (OEDD) to award grants to certain businesses and local government units that make qualified investments after June 30, 2009, to install and place into service in Indiana fueling stations that dispense alternative fuel (defined as liquefied petroleum gas, a compressed natural gas product, or a combination of liquefied petroleum gas and a compressed natural gas product).

It provides that not more than one grant may be awarded for a single location, and it provides that the amount of a grant awarded for a location may not exceed the lesser of: (1) the amount of the grant recipient's qualified investment for the location; or (2) \$20,000. The bill also provides that the amount of a grant awarded for a location may be less than the amount of the grant recipient's qualified investment for the location. It provides that the total amount of grants awarded for all state fiscal years may not exceed \$1 M.

Alternative Fuel Fueling Station Grant Fund: The bill establishes the Alternative Fuel Fueling Station Grant Fund to award the grants, and provides that the OEDD shall administer the Fund.

Qualified Purchases: It allows the OEDD to award grants to certain local government units that make qualified purchases after June 30, 2009, of:

- (1) one or more alternative fuel vehicles; or
- (2) one or more alternative fuel conversion kits.

The bill provides that not more than one grant may be awarded to any one unit. It also provides that the amount of a grant that may be awarded to a unit is the sum of: (1) \$2,000 multiplied by the number of alternative fuel vehicles purchased; plus (2) for each alternative fuel conversion kit purchased, an amount

equal to the lesser of \$2,000 or the actual cost of the conversion kit. The bill provides that the OEDD may limit number of alternative fuel vehicles or alternative fuel conversion kits for which a unit may receive a grant, and it provides that the total amount of grants awarded for all units may not exceed \$1 M.

Local Unit Alternative Fuel Vehicle Grant: The bill establishes the Local Unit Alternative Fuel Vehicle Grant Fund to award the grants, and it provides that the OEDD shall administer the Fund.

Clean Energy Vehicle Purchases: The bill provides that if the state purchases or leases a vehicle after December 31, 2009, it must purchase or lease a clean energy vehicle unless the Department of Administration (DOA) determines that the purchase or lease of a clean energy vehicle: (1) is inappropriate because of the purposes for which the vehicle will be used; or (2) is not economically feasible.

Exemptions: The bill specifies that these requirements do not apply to the: (1) purchase or lease of vehicles by or for the state police department; and (2) short term or temporary lease of vehicles.

Preference for Indiana Built: It requires the DOA to adopt rules or guidelines to provide a preference for the purchase or lease by state entities of clean energy vehicles manufactured wholly or partially in Indiana or containing parts manufactured in Indiana.

Reporting: The bill provides that before August 1 of 2010 and each year thereafter, each state entity shall submit to the DOA information regarding the use of clean energy vehicles and alternative fuels by the state entity. It also requires the DOA to submit a report to the General Assembly and to the Governor before September 1 of 2010 and each year thereafter that lists the information for each state entity and for all state agencies in the aggregate.

Effective Date: July 1, 2009.

Explanation of State Expenditures: (Revised) *Summary* - This bill would increase state expenditures by establishing grant programs for alternative fuel fueling stations and alternative vehicle purchases, and with purchase preferences. Administrative expenses could increase to meet reporting requirements. However, the bill could result in cost savings with the promotion of the use of alternative fuel vehicles. The bill does not contain an appropriation for the grant programs.

(Revised) *Office of Energy and Defense Development (OEDD):* This bill would increase administrative expenditures for the OEDD. The bill requires the OEDD to adopt guidelines to determine standards for awarding grants under the Alternative Fuel Fueling Station Grant Program and the Local Unit Alternative Fuel Vehicle Grant Program for local units. The current level of resources should be sufficient to implement the provisions of the bill.

Clean Energy Vehicle Purchases: Cost savings to the state would result from purchasing vehicles that cost less to operate and maintain. The fiscal impact of this bill will depend on the vehicles purchased. Reporting requirements under the bill are not expected to increase costs since agencies already report this information to Fleet Services.

Preference for Indiana Built: The bill may add cost to vehicle purchases by requiring DOA to adopt rules or guidelines to provide a preference for the purchase or lease of cars manufactured in Indiana or with parts made in Indiana. A current Buy Indiana preference gives a 1% to 5% price preference to Indiana products.

Background-

(Revised) *Alternative Fuel Fueling Station Grant Program*: This bill establishes the Alternative Fuel Fueling Station Grant Program. The program is funded by the Alternative Fuel Fueling Station Grant Fund. The fund consists of money appropriated by the General Assembly, money received from state or federal grants or programs for alternative fuels projects and donations, gifts, and money received from any other source, including transfers from other funds or accounts. The bill provides that the amount of a grant awarded for a location may not exceed the lesser of the amount of the recipient's qualified investment or \$20,000. The bill provides that the OEDD may not award more than one grant for a single location. The bill also provides that the total amount of grants awarded for all state fiscal years may not exceed \$1 M.

(Revised) *Alternative Fuel Vehicle Grant Program for Local Units*: This bill also establishes the Alternative Fuel Vehicle Grant Program for local units. The program is funded by the Alternative Fuel Vehicle Grant Fund. The fund consists of money appropriated by the General Assembly, money received from state or federal grants or programs for alternative fuels projects and donations, gifts, and money received from any other source, including transfers from other funds or accounts. This bill would decrease local expenditures for purchases of Alternative Fuel vehicles and conversion kits. Local units may receive grants for qualified purchases of Alternative Fuel vehicles or Alternative Fuel conversion kits (including installation costs). A local unit may receive a grant award of \$2,000 for each Alternative Fuel vehicle purchased and an amount equal to the lesser of \$2,000 or the actual cost for each Alternative Fuel conversion kit purchased. The bill also provides that the total amount of grants awarded for all state fiscal years may not exceed \$1M.

State-Owned Vehicles: As of April 2008, there were 2,500 state-owned vehicles assigned to universities. As of January 1, 2009, the state had 4,056 passenger vehicles (less than ½ ton) in its inventory, excluding vehicles used by the ISP and by state universities. Of these vehicles,

- 1,395 are flex-fuel vehicles.
- 6 are hybrids.
- 4 use diesel fuels.

Quantity Purchase Agreements: The state purchases vehicles through quantity purchase agreements (QPA) with car dealerships, and the universities may purchase under the state contracts, but do their own purchasing. Currently, the DOA applies the Buy Indiana preference which is applied to the QPAs for vehicles with regard to the dealership. Applying Buy Indiana preference to the manufacturer of the vehicle is complicated by the manufacturers not providing the percentage of parts used by geographic origin and the frequent changing of the mix (by geographic origin) of the parts used in the manufacture.

Also, DOA Fleet Services has a QPA with Enterprise Rental Car to provide daily vehicle rental statewide. DOA indicates that newer vehicle models and the statewide distribution are two enhancements of this arrangement. Cars rented through this QPA would be exempt from the provisions of the bill.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures* regarding the Alternative Fuel Fueling Station Grant Program and the Alternative Vehicle Grant Program for Local Units.

Background: Currently, there are 14 compressed natural gas fueling stations and 31 propane fueling stations in Indiana.

Explanation of Local Revenues:

State Agencies Affected: OEDD; DOA, Agencies operating state vehicles.

Local Agencies Affected:

Information Sources: Elizabeth Lerch, DOA, 317-232-2375; Dollyne Sherman, Bureau of Motor Vehicles, email dated January 9, 2009; DOA website; U.S. Department of Energy, Alternative Fuels & Advanced Vehicles Data Center. http://www.afdc.energy.gov/afdc/progs/ind_state.php/IN/CNG and http://www.afdc.energy.gov/afdc/progs/ind_state.php/IN/LPG

Fiscal Analyst: Karen Firestone, 317-234-2106; Diana Agidi, 317-232-9867.